

DRAFT

Iowa Mental Health and Disability Services Commission

July XX, 2020

Kelly Garcia, Director
Iowa Department of Human Services
Hoover State Office Building
1305 E. Walnut Street
Des Moines, IA 50319

Dear Director Garcia,

This letter is to communicate the recommendations of the MHDS Commission for addressing the increase in MHDS service costs in the DHS funding submission for State Fiscal Year **2022**.

As you know, the Mental Health and Disability Services (MHDS) Commission has a statutory duty to advise the Administrator, the Council on Human Services, the Governor, and the General Assembly on budgets and appropriations concerning disability services. (Iowa Code 225C.6) In addition, when Senate File 2315 became law in 2012, it created the mental health and disability regional services fund and afforded the MHDS Commission an opportunity to provide input into your annual budget submission to “determine and include in the estimate the amount which in order to address the increase in the costs of providing services should be appropriated to the fund for the succeeding fiscal year.”

The Commission values this opportunity for timely consultation regarding this aspect of the Department’s budget estimate and has convened a committee to review available sources of information and formulate our four-part recommendation:

- First, we recommend increasing the previous year’s budget by **0.2%** to account for overall population growth and the resulting increase in service utilization. The recommendation corresponds to the increase in Iowa’s population according to the most recent census data.
- Second, we recommend an additional increase of **1.8%** to account for year-over-year inflation. The Substance Abuse and Mental Health Services Administration (SAMHSA) uses the GDP price index as calculated by the Bureau of Economic Analysis (BEA) in its health expenditure inflation adjustments. Our recommended increase corresponds to the same GDP price index.
- Third, the most urgent issue facing Iowa’s mental health system is attracting and retaining a provider workforce, particularly Medicaid providers. This is a statewide problem, but is especially severe in rural areas. The current workforce shortage affects every position from psychiatrists to direct care. Moreover, HF 2456 (Complex Needs) and HF 690 (Children’s Behavioral Health System) both

mandated additional services that will require a workforce expansion. The solution will require a twofold response:

- 1) Current Medicaid fee schedules will not support **levels of compensation which are necessary for** workforce expansion, especially in today's robust employment climate. Many provider fee schedules have not been adjusted for inflation for 3-6 years. We recommend a state evaluation of the sufficiency of all schedules. If Iowa's mental health goals are to be realized, fee schedules need to be inflation adjusted annually, with specific fee schedules re-evaluated as necessary.
- 2) ACT (Assertive Community Treatment) services mandated in HF 2456 will require additional psychiatrists. The attraction of additional psychiatrists will likely require incentives similar to those initiated by the Governor last year.

- Fourth, as the Commission noted last year, the financial condition of individual mental health regions varies wildly from region to region and the maximum per capita property tax levy varies by more than 80% from region to region - from \$25.84 to \$47.28 per capita. **A number of Regional CEOs have** stated that current regional revenues are **insufficient** to fund the original core services identified in regional management plans plus the "Complex Needs" services mandated in HF 2456 **and the Children's Behavioral Health Services mandated in HF690**. *LSA's Fiscal Note on HF2456* estimates the new complex needs services will impose additional costs of up to \$3.17/per capita on the MHDS Regions for FY20. In addition, *LSA's Fiscal Note on HF 690* estimates the newly mandated children's services will impose additional costs of up to \$4.07/per capita on the MHDS Regions. These additional regional costs are unfunded. The MHDS Regions cannot make commitments or provide sustainable services without an adequate and stable revenue stream. Only the legislature and governor can establish the source(s) and extent of that funding. The state must address this issue.

The members of the MHDS Commission look forward to continuing to work with you and the Department to ensure that Iowa's regional mental health and disability services system has adequate resources to effectively support and respond to the needs of Iowans.

Thank you for your consideration.

With regards,

John Parmeter, Chair